



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

SEP 11 2009

The Honorable John D. Rockefeller IV
United States Senate
531 Hart Senate Office Building
Washington, DC 20510

Dear Senator Rockefeller:

This is in response to your letter of July 30, 2009, seeking information related to the U.S. Department of Agriculture's (USDA) Research on the Economic Impact of Cooperatives (REIC). While USDA has collected and performed indepth analysis of data on agricultural cooperatives for many decades, cooperatives in other economic sectors have not been included in the Department's long standing research programs.

REIC is the first census of all types of cooperatives in the United States. Because there is not a central data source for cooperatives, the initial efforts of REIC necessitated identifying the various sectors in which the cooperative business model is used, and then identifying individual firms. The initial results were published earlier this year.

We are pleased to provide the following responses to your questions.

- 1. This report examines the economic impact of cooperatives. Has the USDA conducted any comprehensive studies on the consumer impact of cooperatives?**

REIC initial estimations of economic impacts used a standard multiplier model that applies to all types of business ownership. Consumer impact was not studied. The existence of the REIC data is likely to expand research that examines the difference that member ownership and governance makes for economic impacts as compared to investor-owned businesses. However, this has not yet occurred.

- 2. How is cooperative defined for purposes of this study? In what sectors of the economy do cooperatives generally operate? Are cooperatives more successful as a model in certain sectors of the economy over others?**

Because there is no standard definition of "cooperative," the REIC survey used a variety of criteria for identifying cooperatives, such as incorporation status and tax-filing status. Because member ownership and control are the primary focus of the cooperative concept, a screening criterion in the survey asked if the members of a cooperative were the exclusive claimants to any

residual earnings or returns from the business. Enclosure 1, "Research on the Economic Impact of Cooperatives," which is an executive summary, provides additional background information.

Cooperatives have a significant impact on agriculture, consumer finance, property and life insurance, energy, retail consumer, and health care. Cooperatives are very effective in providing consumer services although they have not achieved as large a foothold in consumer discretionary sectors as might be suggested by their capabilities. Sectors where they may have less competitive advantages are those involving capital intensive investment and lengthy time horizons in research and development or in industries with advantages from multinational scale and scope of operations.

3. What is the history of health-related cooperatives in America? What are the different types of health-related cooperatives in existence today?

Health-related cooperatives in the area of purchasing and negotiating medical and health care plans were implemented throughout rural America during the New Deal era by the Farm Security Administration. While medical associations had supported health care cooperatives during the depression years of the 1930s, they were strongly opposed to them in the post World War II period. Government support for the cooperative approach to delivering universal health care was reduced during the war and terminated afterward. A plan for purchasing cooperatives (health insurance pools) was included in the Clinton Administration's proposal for health care system reform.

Other types of health-related cooperatives have not been a part of the Government policy debate. For example, worker cooperatives that provide home care have expanded in recent years. There are also purchasing cooperatives for pharmacies and hospitals. On the consumer side, five health maintenance organizations and two health insurance companies are identified as operating on a cooperative basis.

4. The above-mentioned report states: "...we have data from 192 health-care cooperatives." Please provide the names and geographic locations of each of these cooperatives. What are the data sources for this information? Is there a particular federal survey that was used? Is this an exhaustive list?

Information on the names and geographic locations of the reported 192 health-care cooperatives are included in Enclosure 2. These were identified by method described in the "Data Collection" section of Enclosure 1. There is no Federal survey or other definitive primary data source, so the list cannot be considered exhaustive.

5. Of the 192 health-care cooperatives identified in this report, how many are consumer cooperatives, how many are purchasing/shared services cooperatives, and how many are worker cooperatives (based on the National Cooperative Business Association definition of each type)?

The researchers identified a total of 307 health care cooperatives, and 192 provided information for the study. Many of the 192 cooperatives operate different types of health care services. For example, purchasing cooperatives may include both purchasing of insurance and purchasing of medical-related items for health care provider members. The 307 cooperatives were broken down by the three major types:

Consumer	137
Purchasing/Shared Services	158
Worker	12
Total	307*

*Based on more recent data than the initial publication.

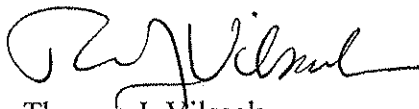
6. How many consumers are enrolled in each of the consumer cooperatives identified in this report?

The number of consumers (members) for the 192 health-care cooperatives from which data was provided is 961,220. It should be noted that some cooperatives may provide goods and services to consumers who are not members.

We have also included Enclosure 3 which is a summary published for a general audience in our Rural Cooperatives magazine.

Please let us know if we can be of further assistance.

Sincerely,



Thomas J. Vilsack
Secretary

Enclosures



University of Wisconsin
**CENTER FOR
COOPERATIVES**

Research on the Economic Impact of Cooperatives

Project Purpose

The cooperative ownership model is used in a wide variety of contexts in the United States, ranging from the production and distribution of energy to delivery of home health care services for the elderly. Although cooperative businesses have been responsible for many market innovations and corrections of market imperfections, little is known about their impact as an economic sector. Until this project, no comprehensive set of national-level statistics had been compiled about U.S. cooperative businesses, their importance to the U.S. economy, or their impact on the lives and businesses of American citizens.

This report describes and quantifies the magnitude of economic activity accounted for by U.S. cooperative businesses. It describes the legal and economic characteristics that were used to define cooperative firms; methods used to measure cooperative activity across all sectors of the US economy; and approaches developed to collect appropriate data. Finally, it provides a census of cooperatives, summarizes the extent of their activity by economic sector, and measures their impact on aggregate income and employment.

Project Partners

The project was funded by the U.S. Department of Agriculture (USDA) with matching support from the National Cooperative Business Association and its members, and the State of Wisconsin's Department of Agriculture, Trade, and Consumer Protection. In-kind support was provided by the University of Wisconsin Center for Cooperatives (UWCC) and the Departments of Agricultural and Applied Economics and Consumer Science at the University of Wisconsin-Madison.

Data Collection

To estimate the impact of cooperatives, conducting a census of U.S. cooperatives was necessary. Cooperatives were located through lists maintained by trade associations, the USDA, and academic colleagues; through web searches; and through Guidestar, a searchable database of nonprofit organizations. In all, our search identified 29,284 cooperatives in the U.S. economy. Surveys using standardized survey instruments and a uniform sampling methodology were then conducted to collect key business indicators from individual cooperatives. The surveys targeted firms in commercial sales and marketing, social and public services, financial services, and utilities. We surveyed 16,151 cooperatives.

Methodology

When businesses use capital, labor, and other inputs to create and sell a product or service, they create economic activity. The direct impact of this activity for the cooperatives in this study is measured by examining the revenue generated by selling output; income paid to owners and workers (wages, benefits, patronage refunds, and dividends); and number of jobs.

The study uses input-output analysis to examine how these direct economic impacts ripple through the economy to generate additional indirect and induced impacts. Conceptually, *indirect impacts* measure the ripple effect that results from connections with other businesses; *induced impacts* measure spending by the cooperative's labor force and its owners with the wages and dividends (or "patronage refunds") they earn. The study uses IMPLAN, an input-output modeling system, to measure these secondary impacts.

We conservatively estimate economic impacts in our analysis. At every turn, we have taken steps to ensure that, we *underestimate* the aggregate wage, employment, revenue, and income impacts of cooperative business. For example, we used wages and benefit as a proxy for input expenditure, rather than revenue. This is apparent in our impact estimates where induced impacts are always larger than indirect impacts. We have applied this rule uniformly across each of the 17 economic sectors in our study, fully recognizing that we may sometimes underestimate indirect economic impacts. This approach is particularly likely to underestimate the full economic impact of lenders in our Financial Services sector. Banks lend to consumers and businesses that in turn invest in various projects ranging from home repair to the launch of an entirely new business. In principle, some portion of the value of these projects could be attributed to banks in assessing their economic impact. We do not attempt to do this, as that method would require significant additional data collection and a methodological approach for separating the impact of banks per se from the projects they fund.

Results

Figure 1 visually displays the distribution of cooperative business activity across the United States, and across four aggregate economic sectors: Commercial Sales and Marketing, Social and Public Services, Financial Services, and Utilities. Nearly 30,000 U.S. cooperatives operate at 73,000 places of business throughout the U.S. These cooperatives own >\$3T in assets, and generate >\$500B in revenue and >\$25B in wages.

These and other data are used to estimate the indirect and induced impact of cooperative business activity, summarized in **Table 1**. The study estimates that cooperatives account for nearly \$654B in revenue, >2M jobs, \$75B in wages and benefits paid, and a total of \$133.5B in value-added income.

Cooperative firms are organized and behave differently from other forms of business organizations. Assessment of economic impact solely in terms of the magnitude of business activity provides an incomplete perspective on the total impact of cooperatives. To initiate study on these more complex impacts, we prepared a series of eight discussion papers. They address methodological and empirical approaches for exploring deeper issues on the economic and social significance of cooperatives, and, in part, will form the basis for subsequent phases of this research project.

For further information on these specific research papers, and for a full reporting our research activities and results, please visit our website devoted to the project: <http://reic.uwcc.wisc.edu>.

Figure 1: Distribution of U.S. Cooperatives

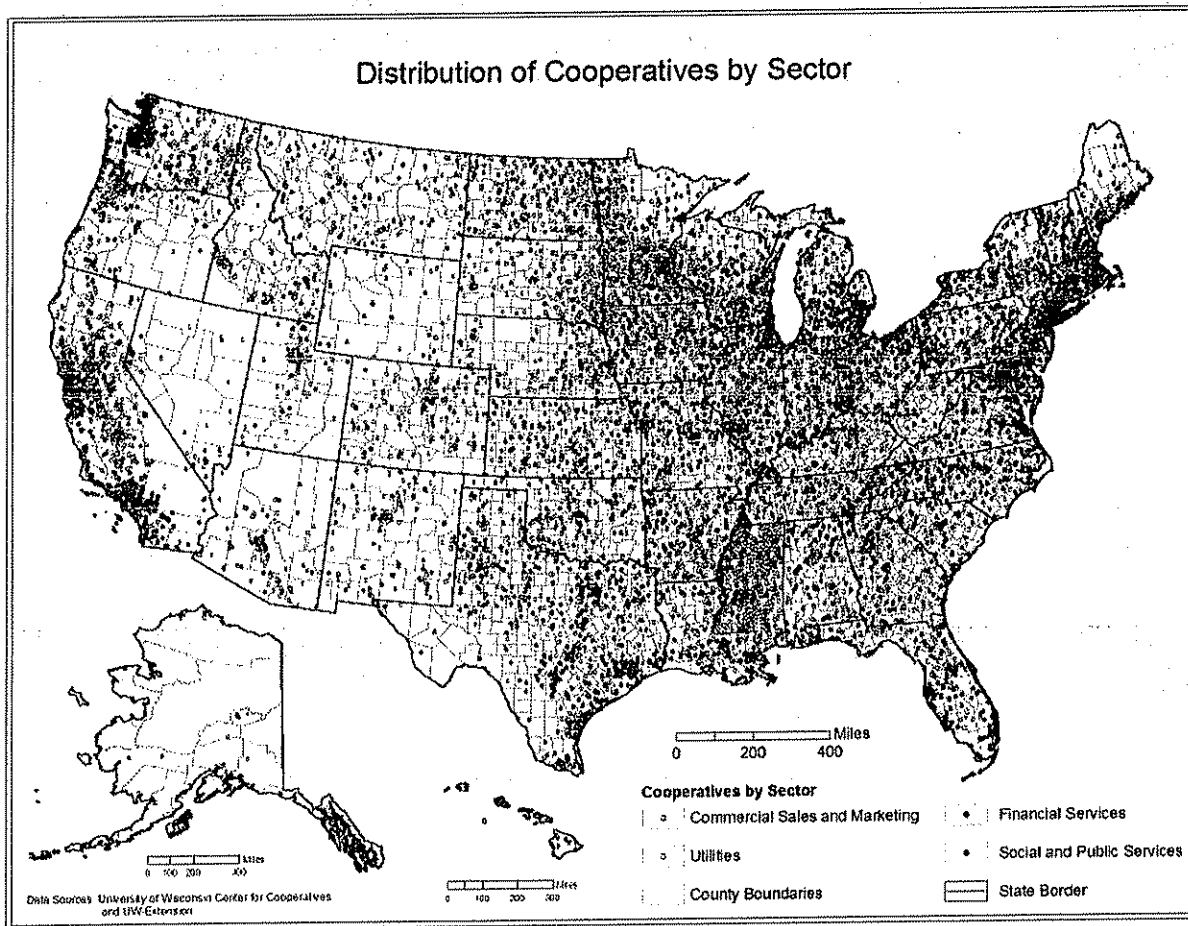


Table 1: Economic Impact of U.S. Cooperatives: Aggregate Impacts by Sector ¹

Sector	Revenue (\$M)	Income (\$M)	Wages (\$M)	Employment (No. of jobs)	Firms	Estab.
Commercial Sales and Marketing	201,207	37,737	13,810	422,505	3,463	5,695
Social and Public Services	7,525	2,213	1,690	424,505	11,311	11,311
Financial Services	394,363	100,661	51,176	1,133,353	9,964	50,330
Utilities	49,808	13,392	8,292	162,873	4,546	5,657
Total	652,903	154,002	74,969	2,143,236	29,284	72,993

¹ Analysis does not include housing cooperatives.

Enclosure 2: List of Health Care Related Cooperatives Identified by USDA's REIC Project

NOTE: (Type: 1 = Worker; 3 = Purchasing; 4 = Consumer)			
Name	City	State	Type
Ithaca Health Alliance	Ithaca	NY	4
Buyers Health Care Action Group	Bloomington	MN	4
MAGNET	Mechanicsburg	PA	3
Keystone Pharmacy Purchasing Alliance, Inc.	Philadelphia	PA	3
ACME	Santa Barbara	CA	4
AFL-CIO Employer Purchasing Coalition			3
Alabama Independent Drugstore Association	Montgomery	AL	3
Alliance for Health	Grand Rapids	MI	4
Alternative Relief Co-op	San Francisco	CA	4
American Pharmacies	San Antonio	TX	3
American Pharmacy Cooperative	Bessemer	AL	3
American Pharmacy Services Corporation	Frankfort	KY	3
ApotheCare Collective	Van Nuys	CA	4
Arizona Hospital and Healthcare Association Service Corporation	Phoenix	AZ	3
Associated Pharmacies, Incorporated	Scottsboro	AL	3
Association Management Resources	Naperville	IL	3
Association of Northwest Pharmacies	Edmonds	WA	3
B.E.A.C.H. Center Collective	Playa Del Rey	CA	4
BASA Collective	San Francisco	CA	4
Bay Linen, Inc	Clearwater	FL	3
Berkeley Patients Care Collective	Berkeley	CA	4
Berkeley Patients Group	Berkeley	CA	4
Bernal Heights Coop Dispensary	San Francisco	CA	4
BRINCS (Bridge to Recovery Independence Network Cooperative South).	Jackson	MI	4
Business Health Care Group of Southeast Wisconsin	Franklin	WI	3
Calis Finest Compassionate Cooperative	Los Angeles	CA	4
California Collective Center	Van Nuys	CA	4
California Patients Group	Los Angeles	CA	4
Care Pharmacies	Alexandria	VA	3
Caregiver Compassion Group	Santa Rosa	CA	4
CBIA Health Connections	Hartford	CT	3
Charity Caregivers of Tulare	Tulare	CA	4
Chinatown Patient Collective	Los Angeles	CA	4
Christian Brothers Services	Romeoville	IL	3
Coalition of Health Services, Inc.	Amarillo	TX	3
Coastal Medical Access Project	Brunswick	GA	3
Colorado Business Group on Health	Denver	CO	3
Columbia River Gorge Health Purchasing Cooperative	Vancouver	WA	3
Community Health Council	Manhattan	KS	4
Compassionate Collective of Alameda County	Hayward	CA	4
Connecticut Hospital Association Shared Services Program	Wallingford	CT	3
Connecticut Business and Industry Association	Hartford	CT	3
Coop Store	Oakland	CA	4
Cooperative Care	Wautoma	WI	1
Cooperative Health Center	Helena	MT	4
Cornerstone Research Collective	Los Angeles	CA	4
COSE (Council of Smaller Enterprises)	Cleveland	OH	3
Coulee Area Regional Employers Health Action Group (CARE Co-op)	La Crosse	WI	4
Crenshaw Holistic Caregivers	Los Angeles	CA	4
Culver City Collective	Los Angeles	CA	4
Dallas-Fort Worth Business Group on Health	Dallas	TX	4
Delta 9 Torrance Herbal Collective	Torrance	CA	4
Discount Patient Collective	Los Angeles	CA	4
Downtown Collective	Los Angeles	CA	4
E&I Cooperative Purchasing	Jericho	NY	3

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Name	City	State	Type
ECHO - Employers Coalition for Healthcare Options, Inc	Huntsville	AL	4
Employee Benefits Corporation	Madison	WI	4
Employer Health Care Alliance	Cincinnati	OH	4
Employers' Coalition on Health	Rockford	IL	4
Employers' Health Coalition	Tampa	FL	4
Employers' Health Coalition of Arkansas	Fort Smith	AR	4
Employers Health Cooperative	Janesville	WI	4
Employers Health Purchasing Corporation of Ohio	Canton	OH	4
Epic Pharmacies, Inc.	Cockeysville	MD	3
Epic Pharmacy Network	Mechanicsville	VA	4
Family Health Plan Cooperative	Brookfield	WI	4
Family Planning Cooperative Purchasing Program	Los Angeles	CA	3
Farmers' Health Cooperative	Madison	WI	4
Federated Human Service Co-op	Phoenix	AZ	3
FirstChoice Cooperative	Tyler	TX	3
Florida Health Care Coalition	Orlando	FL	4
Fond du Lac Area Businesses on Health	Fond du Lac	WI	4
Four Rivers Health Care Purchasing Alliance	Calvert City	KY	3
FrontPath Health Coalition	Perrysburg	OH	4
Garden State Pharmacy Owners, Inc.	Rochelle Park	NJ	3
Golden State Collective	Granada Hills	CA	4
Golden State Patient Care Collective	Colfax	CA	4
Green Coast Care Group	Sebastopol	CA	4
Green Cross Patient Co-op of Seattle	Seattle	WA	3
Green Dragon Co-op	Van Nuys	CA	4
Green Earth Collective	Los Angeles	CA	4
Green Goddess Holistic Care Collective	Highland Park	CA	4
Green Heart Collective	Los Angeles	CA	4
Greenway Compassionate Relief	Santa Cruz	CA	4
Hawaii Business Health Council		HI	3
Healing Nations Collective	Corona	CA	4
Health Action Council	Cleveland	OH	3
Health Care Payers Coalition of N.J.	Edison	NJ	4
Health Future	Medford	OR	3
Health Resources and Services Administration	Rockville	MD	3
HealthCare 21 Business Coalition	Knoxville	TN	3
Healthcare Coalition Co-op	Sheboygan	WI	4
Healthcare Coalition Cooperative	Waukesha	WI	4
Heartland Healthcare Coalition	Morton	IL	3
Heartland Regional Health Network, Inc.	Kokomo	IN	3
Herbal Cure Cooperative	Los Angeles	CA	4
Herbal Solutions Collective	CaOga Park	CA	4
Highland Park Patient Collective	Los Angeles	CA	4
HomeTown Health	Cumming	GA	3
Hospital Cooperative of Utah	Centerville	UT	4
Humboldt Patient Resource Center	Arcata	CA	4
Independent Pharmacy Buying Group	West Grove	PA	3
Independent Pharmacy Cooperative	Sun Prairie	WI	3
Indiana Employers Quality Health Alliance	Indianapolis	IN	3
Iowa Health System Community Network	Des Moines	IA	3
Ironworks Collective	Venice	CA	4
Karma Collective	Van Nuys	CA	4
Kind Meds Collective Care	Van Nuys	CA	4
Korea Town Collective	Los Angeles	CA	4
KUSH Collective	Los Angeles	CA	4

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Name	City	State	Type
La Brea Collective	Los Angeles	CA	4
Lancaster County Business Group on Health	Lancaster	PA	4
Legend Pharmacies of Greater New York State	Springville	NY	3
Long Beach Compassionate Cooperative	Long Beach	CA	4
Long Beach Vapor Lounge Collective	Long Beach	CA	4
Louisiana Business Group on Health			3
Maine Health Management Coalition	Scarborough	ME	4
Marcus Cooperative Purchasing	Kansas City	MO	3
Mark Twain Forest Regional Health Alliance	Ellington	MO	4
Mary Janes Collective	Los Angeles	CA	4
Medi-Sota, Inc.	Dawson	MN	3
Memphis Business Group on Health	Memphis	TN	4
Mendo Remedies Cooperative	Laytonville	CA	4
Mental Health Cooperative		TN	4
MHA Ventures	Helena	MT	3
Michigan Purchasers Health Alliance	Ann Arbor	MI	3
Michigan Universities Coalition on Health, Inc	Flint	MI	3
Mid-America Coalition on Health Care	Kansas City	MO	4
MidAtlantic Business Group on Health			3
Midwest Business Group on Health	Chicago	IL	3
Minnesota Multi-state Contracting Alliance for Pharmacy	St. Paul	MN	3
Minnesota Rural Health Cooperative	Granite Falls	MN	3
Missouri Consolidated Health Care Plan	Jefferson City	MO	4
Monmouth Ocean Healthcare Co-operative	Neptune	NJ	4
Montana Health Network	Miles City	MT	3
Natural Care Collective	Reseda	CA	4
Natures Natural Collective	Reseda	CA	4
NetRx	Columbus	OH	3
Nevada Health Care Coalition		NV	4
Nevada Health Partners		NV	4
Niagara Health Quality Coalition			4
NILE Collective	Venice	CA	4
Northern Neck Middle Peninsula Telehealth Consortium	Midlothian	VA	3
North Bay Collective	Santa Rosa	CA	4
North Carolina Mutual Drug Company	Durham	NC	3
North Coast Clinics Network	Eureka	CA	3
North Country Health Consortium	Littleton	NH	3
North Country Health Consortium	Saranac Lake	NY	3
North Hollywood Collective	North Hollywood	CA	4
North Region Health Alliance	Warren	MN	4
North Texas Health Care Laundry Cooperative			3
North Woods Community Health Center	Milong	WI	4
Northcentral Montana Healthcare Alliance	Great Falls	MT	3
Northeast Wellness Center	Los Angeles	CA	4
Northeast Pharmacy Service Corporation	Framingham	MA	3
N- Fairview Health Services	Minneapolis	MN	4
N- Rural Health Resource Center	Duluth	MN	3
Northwest Patient Cooperative			4
Oregon Coalition of Health Care Purchasers	Portland	OR	3
Pace Alliance	Lawrence	KS	3
Paraprofessional Healthcare Institute	Bronx	NY	3
Partners in Pharmacy Cooperative	Milwaukee	WI	3
PCH Collective	Malibu	CA	4
Pharmacy Buying Group of America	Mequon	WI	3
Pharmacy Group of New England	Scarborough	ME	3

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Name	City	State	Type
Pharmacy Provider Services Corporation	Tallahassee	FL	3
Pharmacy Providers of Oklahoma	Oklahoma City	OK	3
Pharmacy Services, Inc.	Lansing	MI	3
Piedmont Health Coalition, Inc.	Burlington	NC	4
Pittsburgh Business Group on Health	Ambridge	PA	3
Puget Sound Health Alliance	Seattle	WA	4
REAL Health Association	Grand Rapids	MI	4
Rocky Mountain Caregivers Cooperative		CO	4
Rural Health Alliance	Alexandria	MN	3
Rural Wisconsin Health Cooperative	Sauk City	WI	3
RuralCare Partners	Crookston	MN	4
RxPlus Pharmacies, Inc.	Wheat Ridge	CO	3
Safe Harbor Patients' Collective	Van Nuys	CA	4
San Francisco Patients Cooperative	San Francisco	CA	4
Santa Barbara Collective	Santa Barbara	CA	4
Santa Barbara Patients Group	Santa Barbara	CA	4
Santa Cruz Patients Collective	Santa Cruz	CA	4
Savannah Business Group on Health	Savannah	GA	3
SBC Collective	Santa Barbara	CA	3
S-Orth Idaho Rural Health Consortium	Sand Point	Idaho	3
South Western Wisconsin Health Cooperative	Platteville	WI	4
Southwest health alliance	Scottsdale	AZ	4
Southwest Idaho Community Health Network	Boise	ID	3
Southwest Ohio Health Care Affiliates, Inc.	Dayton	OH	3
St Louis Area Business Health Coalition	St. Louis	MO	4
Synergy Health Group	Johnson City	TN	3
Synernet	Portland	ME	3
Texas Medical Center Hospital Laundry Cooperative Association	Houston	TX	3
The Alliance	Madison	WI	3
The Holistic Coop	Boyle Heights	CA	4
The Hopenet Coop	San Francisco	CA	4
The Maine Health Alliance	Bangor	ME	4
The New York Health Care Alliance Purchasing Group	New York	NY	3
Thumb Rural Health Network	Port Huron	MI	3
Toluca Lake Collective	Toluca Lake	CA	4
Tri-State Business Group on Health	Newburgh	IN	4
Tri-State Health Care Coalition	Quincy	IL	3
United Drugs	Phoenix	AZ	3
University Health System Consortium	Oak Brook	IL	3
University of Washington Consolidated Laundry	Seattle	WA	3
Upper Midlands Rural Health Network	Winnsboro	SC	4
Urban Wellness Collective	Sacramento	CA	4
Valley Co-Op	Orthridge	CA	4
Value Drug Company	Altoona	PA	3
Value Purchasing Initiative, C/o Greater Detroit Area Health Council, Incorp	Detroit	MI	3
Venice Alternative Healing Collective	Venice	CA	4
VHA	Irving	TX	3
Virginia Business Coalition on Health			4
West Central Ohio Regional Healthcare Alliance	Lima	OH	3
West Central Regional Health Co-op	Osceola	WI	4
Western Alliance of Healthcare Resources			3
Wills DH Collective	Redding	CA	4
Aspirus Network	Wausau	WI	4
WisconsinRx	Madison	WI	3
Zen Healing Collective	West Hollywood	CA	4

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Name	City	State	Type
Coalition of Health Services	Amarillo	TX	4
Health Partners	Bloomington	MN	4
NY Business Group on Health	NY	NY	3
CHS Services	Rockville Center	NY	4
Coastal Carolinas Health Alliance	Wilmington	NC	4
Community Health Network Inc.	Berlin	WI	4
Connecticut Health System Inc.	Hartford	CT	4
Health InOvations Network of Kansas Inc., Topeka	Topeka	KS	4
Heartland Rural Health Network	Avon Park	FL	4
Hemophilia Services Consortium	Westbury	NY	4
Herkimer County Rural Health Network	Herkimer	NY	3
Hospital Shared Services Association	Seattle	WA	3
Illinois Critical Access Hospital Network	Princeton	IL	3
Med-Op	Hays	KS	3
C.H.A.T. Network of Fulton County	Canton	IL	3
Central Hospital Services	Cleveland	OH	4
CHIP, Inc	Williamsburg	VA	4
Community Integrated Services Network of Pennsylvania	Wormleysburg	PA	4
Cooperative Resources Incorporated	Fergus Falls	MN	3
Dayton Shared Medical Service	Dayton	OH	3
Florida Healthcare Purchasing Cooperative	St. Augustine	FL	3
Greater Cincinnati Hospital Cooperative Services Inc.	Cincinnati	OH	3
Health Services Purchasing Coalition of Nevada	Las Vegas	NV	3
Healthcare Purchasing Alliance	Orlando	FL	3
Healthcare Service Center	Macon	GA	3
Healthcare Ventures Alliance	Erie	PA	3
Hospital Billing and Collection Service Ltd.	New Castle	DE	3
Hospital Central Services	Chicago	IL	3
Hospital Central Services	Allentown	PA	3
Iroquois Healthcare Association	Clifton Park	NY	3
Joint Purchasing Corporation	New York	NY	3
Katahdin Shared Services	Millisocket	ME	3
Lac Qui Parle Health Network	Madison	MN	3
Low Country Health Care Network	Bamberg	SC	4
Midwest Health Net	Fort Wayne	IN	4
MVN Shared Services	Utica	NY	3
Nassau Suffolk Hospital Council	Hauppauge	NY	3
Neighborhood Health Care Network	Saint Paul	MN	3
Nevada Rural Hospital Partners	Reno	NV	3
Northern Sierra Rural Health Network	Nevada City	CA	3
Northland Healthcare Alliance	Bismark	ND	3
Ohio Shared Information Services	Cincinnati	OH	3
Ohio State Health Network	Columbus	OH	3
Panhandle Area Health Network	Marianna	FL	3
Pioneer Health Network	Garden City	KS	4
The Hospital Cooperative	Pocatello	ID	3
Regional Lakes Health	Gaylord	MI	4
Heartland Health Alliance	Holbrook	NE	4
Shenandoah Shared Hospital Services Inc	Harrisonburg	VA	3
Sunflower Health Network, Inc.	Salina	KS	3
Texas Association of Community Health Centers Purchasing Group	Austin	TX	3
Tricare Laboratory Services Corporation	Albuquerque	NM	3
United Health Partnership	Toledo	OH	3
Upper Peninsula Health Care Network	Marquette	MI	3
Western Healthcare Alliance	Grand Junction	CO	3

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NOTE: (Type: 1 = Worker; 3 = Purchasing; 4 = Consumer)			
Name	City	State	Type
Western Orth Carolina Health Network	Asheville	NC	3
North Carolina Mutual Wholesale Drug Company	Durham	NC	3
Allied Purchasing Company	Mason City	IA	3
University HealthSystem Consortium	Oak Brook	IL	3
FirstChoice Cooperative	Tyler	TX	3
American Dental Cooperative	Nashville	TN	3
Safety Marketing Group	Brooksville	FL	3
Blood Centers of America, Inc.	West Warwick	RI	3
Partners in Pharmacy Cooperative	Milwaukee	WI	3
ABCO Dealers, Inc.	Nashville	TN	3
Bay Linen, Inc.	Clearwater	FL	3
FirstChoice Coop	Tyler	TX	3
Heartland Healthcare Coalition	Morton	IL	3
Mass. League of Community Health Centers	Boston	MA	3
Network Services	Mt. Prospect	IL	3
Rural Health Resource Center	Duluth	MN	3
Safety Marketing Group	Bettendorf	IA	3
Synernet, Inc.	Portland	ME	3
United Drugs Pharmacy Cooperative	Phoenix	AZ	3
Value Drug Company, Inc.	Altoona	PA	3
WCORHA	Lima	OH	3
ACT-UP	San Francisco	CA	1
Berkeley Free Clinic	Berkeley	CA	1
Berkeley Massage & Self-Healing Center	Berkeley	CA	1
I AM UNIQUE	Raleigh	NC	1
Quality Care Partners	Manchester	NH	1
Care at Home	Brooklyn	NY	1
Co-operative Home Care Associates	Bronx	NY	1
Home Care Associates (PA)	Philadelphia	PA	1
New Seattle Massage, Inc.	Seattle	WA	1
Community Pharmacy	Madison	WI	1
Co-operative Care	Wautoma	WI	1

Co-op Economic

By Lynn Pitman,
University of Wisconsin
Center for Cooperatives

*Editor's note: for the full report on which this article is based, visit:
<http://reic.uwcc.wisc.edu/>.*



Cooperatives occupy a unique niche in the economy of the United States. Co-ops are engaged in a broad range of businesses: electricity distribution to rural farms and homeowners, bargaining and marketing services for agricultural producers, and delivery of home healthcare services for the elderly, among many others. Cooperative businesses have provided an effective "bottom-up" solution for meeting needs imperfectly addressed by the market and have been responsible for many market innovations.

Nonetheless, no comprehensive national statistics about U.S. cooperative businesses exist to quantify

and describe their impact on the U.S. economy and on the lives and businesses of Americans. To address this lack of basic information, the U.S.

Department of Agriculture funded the Research on the Economic Impact of Cooperatives (REIC) study, which is being conducted by the University of Wisconsin Center for Cooperatives (UWCC). The project received matching support from the National Cooperative Business Association and the Wisconsin Department of Agriculture, Trade and Consumer Protection. UWCC and the University of Wisconsin-Madison also provided in-kind support.

The first phase of the study, completed in April, provides an initial snapshot of the size and scope of cooperative activity.

How big a footprint?

UWCC collected data summarizing four aggregate economic sectors and 17 subsectors that were defined by USDA at the outset of the project. The study

identified more than 29,000 U.S. cooperative firms operating at 73,000 locations and owning more than \$3 trillion in assets.

These co-ops directly accounted for more than \$500 billion in revenue. Wages and benefits topped \$25 billion and supported 853,000 jobs.

There are an estimated 118 million U.S. cooperative memberships, with individuals often being members in more than one co-op. When mutual insurance policy holders are included, that number rises to more than 351 million.

There are additional impacts from the direct business activity of cooperatives that ripple through the broader economy. A cooperative's costs include outlays that become revenue for other businesses. Wages, dividends and patronage refunds paid out by the cooperative become the personal income of individuals whose spending is the source of revenue for other businesses.

To gauge the true size of the

ECONOMIC IMPACT OF U.S. COOPERATIVES: Aggregate Impact by Sector*

	Sector Revenue (\$Millions)	Income (\$Millions)	Wages (\$Millions)	Firms	Employment (No. Full-time jobs)
Commercial Sales & Marketing	201,207	37,737	13,810	3,463	422,505
Social & Public Services	7,523	2,213	1,690	11,311	424,505
Financial Services	394,364	100,660	51,177	9,978	1,133,353
Utilities	49,808	13,392	8,292	4,536	162,873
Total	652,902	154,002	74,969	29,288	2,143,236

*Analysis does not include housing cooperatives.



economic "footprint" of cooperatives, these secondary economic impacts also need to be part of the analysis. The study estimates that total cooperative economic activity, including secondary impacts, account for nearly \$653 billion in revenue, in excess of 2 million jobs, almost \$75 billion in wages and benefits paid, and \$154 billion in income.

The commercial sales and marketing sector encompasses cooperatives that provide agricultural marketing, processing and supply services, biofuel refining companies, consumer cooperatives that buy wholesale on behalf of consumers, arts and crafts cooperatives that supply and sell the work of artist members, and other cooperatives that operate across a wide variety of economic subsectors. Across

all economic-impact measurements, farmer cooperatives account for the substantially largest share of this sector.

Social and public service cooperatives include firms that provide a diverse array of healthcare, housing, transportation and education services. Housing cooperatives dominate this aggregate economic sector in terms of the number of entities, but economic impacts of housing co-ops were not reported. Assessment and tax practices for co-ops vary significantly by municipality, making it impossible to achieve data consistency. The healthcare subsector accounts for the largest share of employees and members within this aggregate sector. While this sector accounts for a tiny fraction of the economic impacts that

were measured, the largest share of identified cooperatives — more than 38 percent — fell within this category.

The financial service cooperative sector encompasses credit unions, banks within the farm credit system, mutual insurance companies and a cooperative finance group comprised of a variety of financing organizations that lend to cooperative firms and banks. Credit unions and mutual insurance companies account for the largest number of firms, establishments, memberships and employees, but the cooperative finance subsector accounts for the largest share of assets within the financial services economic sector. This subsector includes NCB (formerly the National Cooperative Bank), the Association of Corporate Credit Unions, the Cooperative Finance Corporation and the Federal Home Loan Bank System, and accounts for a significant portion of cooperative economic activity. These institutions are owned by their members, are controlled by a board elected by member institutions and are operated to provide benefits to their member banking institutions.

Utilities cooperatives provide electric, telephone, and water and waste services. Cooperatives that provide electric utility services, including generation and transmission, dominate this aggregate sector in terms of total economic activity. Many of these entities resulted from federal enabling

AGGREGATE IMPACTS: Revenue (\$Millions)

Commercial Sales & Marketing	Total	Farm Supply/Mktg	Consumer	Arts&Crafts	Biofuels	Other
	201,207	128,339	2,124	237	10,302	60,205
Social & Public Services	Total	Healthcare	Childcare	Housing	Transport	Education
	7,523	5,212	421	0	567	1,323
Financial Services	Total	Credit Unions	Farm Credit	Mutual Insurance	Co-op Finance	—
	394,364	74,882	15,382	226,572	77,528	
Utilities	Total	Electric	Water	Telephone	—	—
	49,808	43,347	2,582	3,879		

legislation in the 1930s for rural infrastructure development. Water and waste cooperatives often perform a quasi-public function and provide valued services to their communities.

Consumer co-ops account for 92 percent of identified firms

Most cooperatives can be categorized as either “producer” or “consumer” cooperatives. A producer cooperative serves its members by bringing their products to market, while a consumer cooperative purchases goods or services to sell to its members. Producer co-ops are found almost exclusively within the agricultural and arts and crafts categories within the commercial sales and marketing category. Consumer cooperatives can be found within all four of the economic sector groups.

“Purchasing” (or business-to-business) and “worker” cooperatives are variations on the producer/consumer split. Purchasing cooperatives are similar to consumer cooperatives in that they collectively purchase goods or services to sell to members, but the membership is comprised of businesses and other organizations instead of individuals. A worker cooperative is a type of producer cooperative where the “product” provided by members is labor.

About 80 percent of all worker cooperatives are found in the commercial sales and marketing sector; the remainder is found in the social and public services sector. While about 19 percent of purchasing cooperatives are found in the commercial sales and marketing sector, 66 percent are in the social and public services sector, 4 percent in the financial services sector and 11 percent in the utilities sector.

Where the numbers came from

Unlike data-reporting agencies of many other countries, the U.S. Census Bureau does not identify cooperatives in any of its census or business reporting surveys. UWCC used a variety of resources to conduct its own census of cooperatives in the commercial, social services, financial and utilities sectors

that were specified in the USDA grant.

Some sectors of cooperative activity are well-documented, and comprehensive listings were available from government or trade associations. For other sectors, a more laborious primary population discovery process was necessary to identify and build co-op lists.

Once a census was complete, economic data were collected using a variety of methods. Some sources were able to provide aggregated business activity data as well as lists of cooperatives, and about 85 percent of the data on direct cooperative economic activity were collected in this manner. Standardized surveys and uniform sampling methodology were used to collect key business indicators from individual cooperatives on the remaining lists.

To estimate the secondary economic impacts of cooperative business activity, the study used IMPLAN, an input-output modeling system. Steps were taken with the analysis to ensure that the impacts were conservatively projected. The results of this study represent the lower bounds of cooperative activity in the United States.

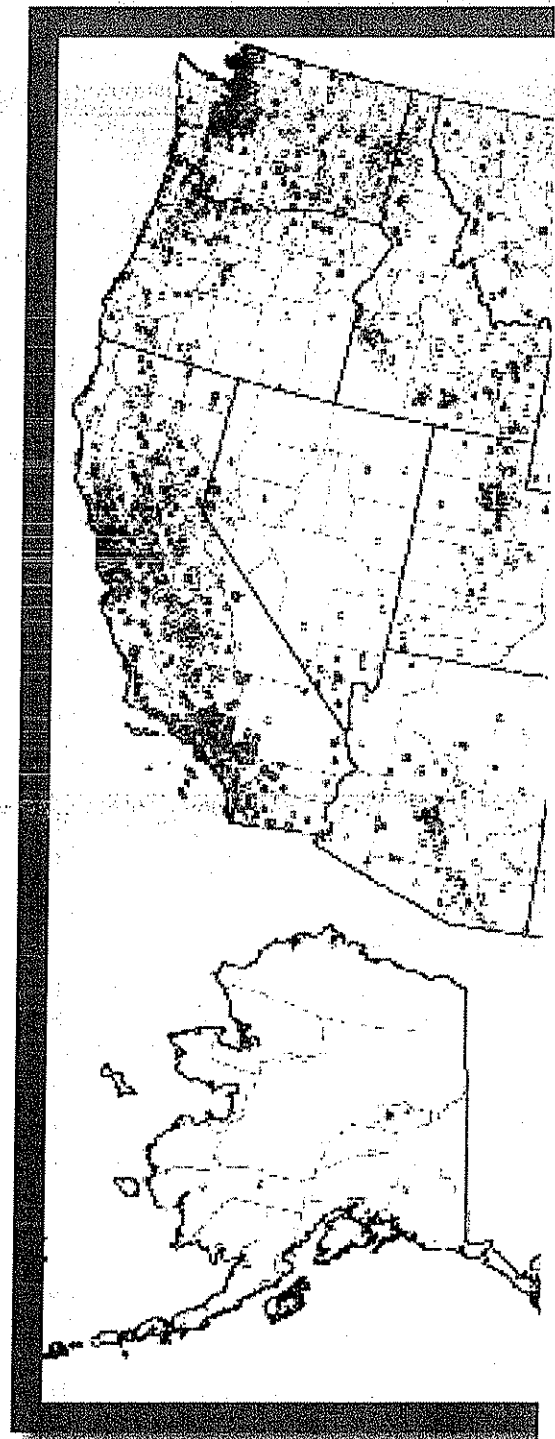
Defining “cooperative”

In many cases, it was unclear whether an identified organization should be considered a cooperative. As baseline criteria, the study used the USDA definition of a cooperative: an organization that is owned and controlled by patron members and operates for their benefit, distributing earnings proportional to use. These defining characteristics were identified through incorporation, tax filing and member activity information obtained through surveys.

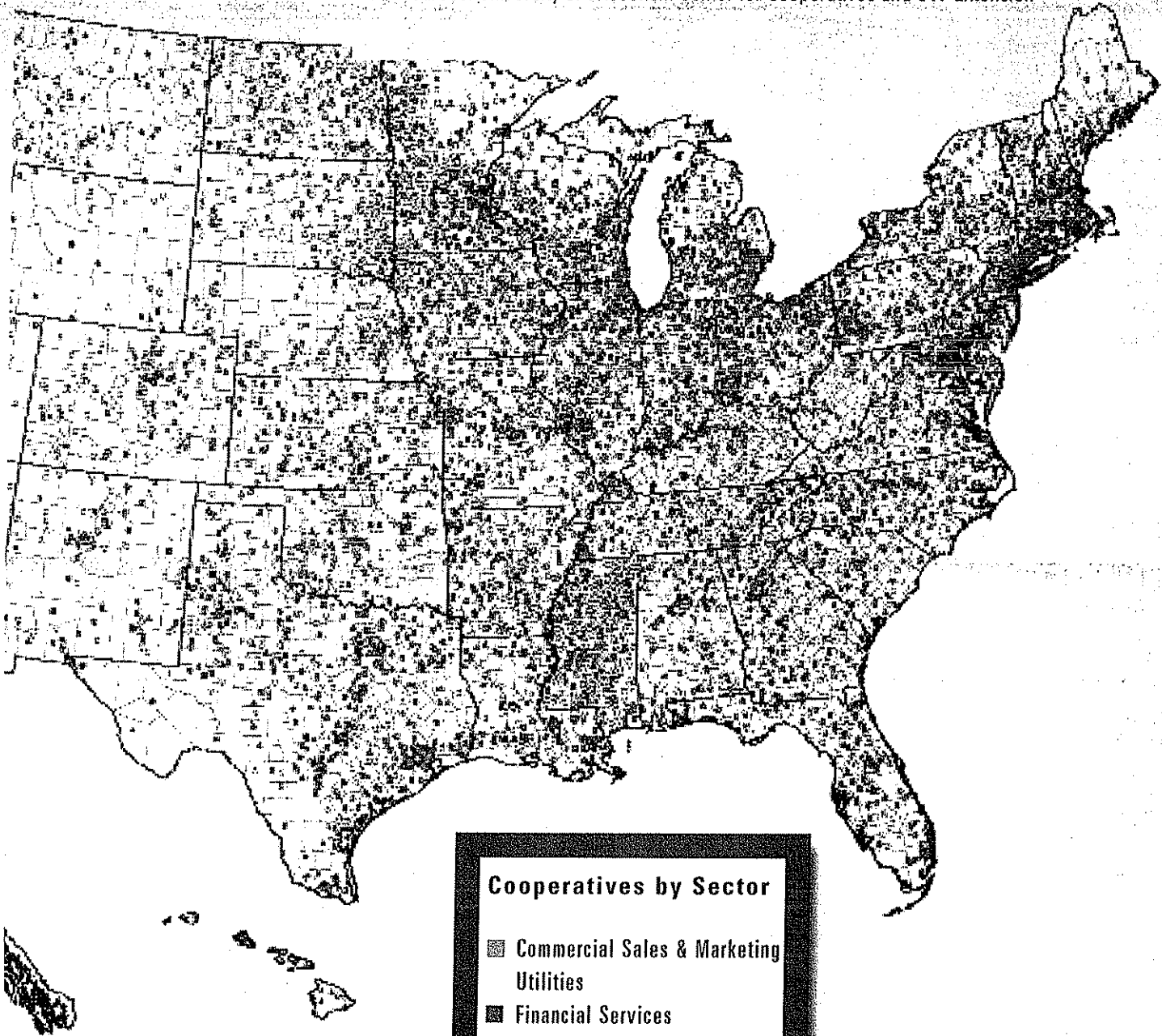
However, there were sectors or situations in which organizations met some, but not all, of these criteria. For example, co-ops that provide services such as childcare or healthcare may be democratically controlled by their user members, who benefit from the services provided. But as nonprofit educational

or charitable organizations, these co-ops legally do not have owners and cannot make any earnings distributions. Other cooperatives, especially within regulated industries, might include nonmembers on the board who could exercise voting privileges.

This study identified and documented these “boundary” issues in the census; it also delineated boundaries within sectors that could be supported



Data Sources: University of Wisconsin Center for Cooperatives and UW-Extension



Cooperatives by Sector

- Commercial Sales & Marketing
Utilities
- Financial Services
- Social and Public Services
- County Boundaries
- State Border

by data-collection methods.

Additional research results

Cooperative firms are fundamentally different from other forms of business organization. Simply looking at the magnitude of cooperative business activity provides an incomplete analysis of the wider economic and social influences of cooperatives.

\$653 Billion Footprint

To lay the groundwork for research on more complex impacts, the project also funded eight discussion papers. The papers address methodological and empirical approaches for exploring deeper issues on the economic and social significance of cooperatives, and, in part, will form the basis for subsequent phases of this research project. ■